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Office of Compliance Inspection  
and Examinations

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**



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**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/08 AND ENDING 12/31/2008 ✓  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: OCTEG LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
141 W. Jackson, Suite 210

OFFICIAL USE ONLY

FIRM I.D. NO.

Chicago Illinois 60604  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Darren Mast, 312-242-4622

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
PriceWaterhouseCoopers, LLC

1 N. Wacker Drive Chicago IL 60606  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

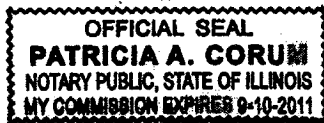
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of  
information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

I, Darren Mast, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of OCTEG, LLC, as of December 31, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Patricia A. Corum  
Notary Public

D Mast  
Signature  
Chief Financial Officer  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**Octeg, LLC**  
**Statement of Financial Condition**  
**December 31, 2008**  
Available for Public Inspection

SEC Mail Processing  
Section

MAR 02 2009

Washington, DC  
110

	<b>Page(s)</b>
<b>Report of Independent Auditors .....</b>	<b>1</b>
<b>Statement of Financial Condition.....</b>	<b>2</b>
<b>Notes to the Statement of Financial Condition .....</b>	<b>3-7</b>

**Report of Independent Auditors**

**PricewaterhouseCoopers LLP**  
One North Wacker  
Chicago IL 60606  
Telephone (312) 298 2000  
Facsimile (312) 298 2001

To the Member of Octeg, LLC:

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Octeg, LLC (the "Company") at December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully discussed in Note 6, the Company has significant transactions with its Parent and affiliates. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties.

*PricewaterhouseCoopers LLP*

February 26, 2009

**Octeg, LLC**  
**Statement of Financial Condition**  
**December 31, 2008**

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**Assets**

Cash and cash equivalents	\$ 106,258,519
Receivable from exchanges	70,031,578
Receivable from clearing brokers and clearing organizations	53,562,036
Exchange deposits	11,949,796
Securities and options owned, at fair value	36,296,299
Securities borrowed	12,295,384
Other assets	829,062
Total assets	<u>\$ 291,222,674</u>

**Liabilities and Member's Equity**

**Liabilities**

Securities and options sold, not yet purchased, at fair value	\$ 55,963,912
Management fee payable (Note 6)	21,834,651
Accounts payable and accrued expenses	7,812,621
Total	<u>85,611,184</u>
Subordinated borrowings	20,000,000
Member's equity	<u>185,611,490</u>
Total liabilities and member's equity	<u>\$ 291,222,674</u>

The accompanying notes are an integral part of the statement of financial condition.

**Octeg, LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2008**

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**1. Nature of Operations and Significant Accounting Policies**

**Nature of Operations**

Octeg, LLC (the "Company") is registered with the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities and Exchange Commission (the "SEC") as a securities broker-dealer. The Company is engaged in buying, selling and dealing as principal, primarily in securities and options, for its own account. During the year, the Company began clearing the majority of its equity trading internally.

The Company's designated self-regulatory organization is FINRA. The Company is an Illinois limited liability company. The operating agreement provides, among other things, that the Company shall dissolve no later than December 31, 2050. The sole member of the Company is GETCO, LLC ("GETCO" or the "Parent"), which is a wholly owned subsidiary of GETCO Holding Company, LLC ("GHC").

**Use of Estimates**

The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results may differ from those estimates.

**Revenue Recognition**

Securities and derivative transactions are recorded on trade date, with related unrealized gains and losses reflected in trading gains and losses, net.

**Securities Borrowed and Loaned**

Securities borrowed and securities loaned transactions are reported as collateralized financings. Securities borrowed transactions require the Company to deposit cash or other collateral with the lender. In securities loaned transactions, the Company receives collateral in the form of cash or other collateral. The fair value of the collateral in securities borrowed and loaned transactions is generally in excess of the market value of securities borrowed and loaned, with additional collateral obtained or refunded, as necessary. As of December 31, 2008, the market value of collateral received in securities borrowed transactions was \$11,958,890. The collateral is valued daily and the Company may require counterparties to deposit additional collateral or return collateral pledged, as appropriate.

**Income Taxes**

The Company is treated as a disregarded entity for income tax purposes. As a result, the Company is not subject to federal income taxes but rather such taxes are the responsibility of its member.

**Cash Equivalents**

The Company defines cash equivalents as all highly liquid investments purchased with an original maturity of three months or less.

**2. Fair Value of Financial Instruments**

Statement of Financial Accounting Standard No. 157 "Fair Value Measurements" ("FAS 157") establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for

**Octeg, LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2008**

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identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are as follows:

Level 1	Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active
Level 3	Inputs that are unobservable

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Company's perceived risk of that instrument.

The Company records its securities and options at fair value. These categories can further be divided between those held long or sold short.

Securities and options whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include active listed equities, certain U.S. government and sovereign obligations. The Company does not adjust the quoted price for such instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Securities and options that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. The Company did not own any level 2 financial instruments and options at December 31, 2008 or at any time during the year then ended.

Securities and options classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). The Company did not own any level 3 financial instruments and options at December 31, 2008 or at any time during the year then ended.



**Octeg, LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2008**

The following table presents the financial instruments carried on the statement of financial condition by caption and by level within the valuation hierarchy as of December 31, 2008.

<b>Assets at Fair Value as of December 31, 2008</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market securities	\$ 59,420,227	\$ -	\$ -	\$ 59,420,227
United States government obligations - on deposit with exchanges	1,803,183	-	-	1,803,183
Options	3,871,198	-	-	3,871,198
United States government obligations	410,091	-	-	410,091
Equities	32,015,010	-	-	\$ 32,015,010
Subtotal	<u>\$ 97,519,709</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,519,709</u>
<b>Liabilities at Fair Value as of December 31, 2008</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Options	\$ 4,530,044	\$ -	\$ -	\$ 4,530,044
Equities	51,433,868	-	-	51,433,868
Subtotal	<u>\$ 55,963,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,963,912</u>

**3. Securities and Options Owned and Sold, Not Yet Purchased**

Securities and options owned and sold, not yet purchased, at December 31, 2008 consist of the following:

	<b>Owned</b>	<b>Sold, Not Yet Purchased</b>
Options	\$ 3,871,198	\$ 4,530,044
United States government obligations	410,091	-
Equities	32,015,010	51,433,868
Total	<u>\$ 36,296,299</u>	<u>\$ 55,963,912</u>

**4. Receivable from Exchanges and Exchange Deposits**

Receivable from exchanges represents amounts due from the exchanges resultant from the Company's trading activities, primarily liquidity rebates. Exchange deposits represent cash and securities on deposit at exchanges to meet margin requirements.

**5. Receivable from Clearing Brokers and Clearing Organizations**

Receivable from clearing brokers and clearing organizations represent amounts due from the clearing brokers and clearing organizations resultant from monies deposited on margin and trading activities.

**6. Related Parties**

Under a written agreement, the Company recognizes a management fee to its Parent covering allocated administrative and compensation expenses incurred by the Parent in providing shared services to the Company.

**Octeg, LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2008**

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The Company pays certain expenses on behalf of its affiliates. These affiliates reimburse the Company for these payments. At December 31, 2008, the receivable related to reimbursements, amounting to \$251,055, is included in other assets on the statement of financial condition.

**7. Liabilities Subordinated to Claims of General Creditors**

Liabilities subordinated to claims of general creditors at December 31, 2008 represent a subordinated loan agreement with a bank of \$20,000,000, at a rate based on prime. The loan renewed on October 25, 2008 and currently matures on October 25, 2009.

The subordinated loan is extended pursuant to agreements approved by the Company's designated examining authority and qualifies as capital in computing net capital under the SEC's Uniform Net Capital Rule 15c3-1. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid. Otherwise, the Company may, at its option and with prior written approval from its designated examining authority, repay all or any portion of the principal amount prior to the maturity date at any time.

The carrying amount of the subordinated loan approximates fair value as the underlying interest rate is variable and regularly resets to current market rates.

**8. Financial Instruments with Off-Balance Sheet Risk**

The Company, in connection with its proprietary trading activities, may enter into transactions involving derivative financial instruments, including option contracts and other financial instruments with similar characteristics. Options held provide the Company with the opportunity to deliver or take delivery of specified financial instruments at a contract price. Options written obligate the Company to deliver or take delivery of specified financial instruments at a contract price in the event the option is exercised by the holder. These financial instruments may have market risk and/or credit risk in excess of amounts recorded on the statement of financial condition.

**Market Risk**

Derivative financial instruments involve varying degrees of off-balance sheet market risk. Changes in the market values of the underlying financial instruments may result in changes in the value of the derivative financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between the derivative financial instruments and the volatility and liquidity in the markets in which the derivative financial instruments are traded. In many cases, the use of derivative financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Company's overall exposure to market risk. The Company manages its exposure to market risk arising from the use of these derivative financial instruments through various analytical monitoring techniques.

**Credit Risk**

Credit risk arises from the potential inability of counterparties to perform in accordance with the terms of the contract. The Company's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Company has a gain. Exchange traded financial instruments, including options, generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements or the margin requirements of the individual exchanges and clearing brokers. Substantially all of the Company's transactions are executed in exchange traded instruments.

**Octeg, LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2008**

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**Concentrations of Credit Risk**

The Company clears the majority of its trades internally, but also uses other third party clearing brokers. Cash and financial instruments held at the Company's clearing brokers collateralize amounts due to the clearing brokers, if any, and may serve to satisfy regulatory or clearing broker margin requirements. In the event these clearing brokers do not fulfill their obligations, the Company may be exposed to risk. This risk of default also depends on the creditworthiness of the counterparties to each of these transactions. The Company attempts to minimize these credit risks by monitoring the creditworthiness of its clearing brokers.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced and does not expect to experience any losses in such accounts.

Management believes that the Company is not exposed to any significant credit risk as a result of its monitoring procedures and the nature of its financial instruments.

**9. Commitments and Contingencies**

Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", requires the disclosure of representations and warranties which the Company enters into and which may provide general indemnifications to others. The Company, in its normal course of business, may enter into contracts that contain such representations and warranties. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on its experience, the Company expects the risk of loss to be remote.